

Program Budget Narratives

Regulation

Labor Standards, Health & Safety

Mission

To promote the welfare of Indiana's workforce by administering a variety of educational and compliance programs designed to provide the knowledge and tools necessary to guarantee all workers safe, healthful, positive work environments, and the appropriate compensation for that work.

Summary of Activities

The **Department of Labor (DOL)**, **Civil Rights Commission (CRC)**, and the **Worker's Compensation Board** share responsibility for labor standards, health, and safety. DOL activities include:

- The Bureau of Safety Education and Training (BuSET) works with Indiana's employers, employees, labor, trade organizations, and other entities to ensure workplace safety and health through proactive education and outreach.
- The Indiana Occupational Safety and Health Administration (IOSHA) is responsible for compliance with Indiana's occupational safety and health regulations, and also conducts safety and health discrimination investigations. IOSHA is divided into three branches: industrial hygiene, industrial safety, and construction safety.
- The DOL Wage and Hour Division is authorized to promote the arbitration, mediation and conciliation of wage disputes between employers and employees. This division is responsible for enforcing Indiana's minimum wage law, wage payment statutes, and age discrimination law. The Bureau of Child Labor administers and enforces Indiana's child labor laws, which apply to gainfully employed minors aged 14-18. The Bureau of Mines ensures compliance with Indiana's mine safety provisions and maintains Indiana's only mine rescue station.



The Civil Rights Commission's enforcement activities include the investigation of civil rights complaints, the provision of an administrative forum for the adjudication of the allegations of unlawful discrimination, and once probable cause has been found, the prosecution of alleged violations of civil rights laws before administrative and judicial tribunals.

The Worker's Compensation Board provides dispute resolution services to injured workers, Indiana businesses, and their insurance companies and collects and maintains data on workplace injuries in Indiana.

External Factors

The most significant factors affecting Labor Standards are the economic and demographic changes occurring in Indiana's workplace. Indiana is anticipating an increase in both youthful and inexperienced workers and workers of advanced age. These are both groups with historically greater incidence of workplace injury. Moreover, as Indiana pulls itself out of the national recession, it anticipates fluctuating levels of experience in its workforce. As some traditional industries experience downturns, displaced workers must learn new skills and enter new professions. Indiana is also experiencing an influx of "hard to reach" employees. In this category are a growing percentage of workers whose primary language is other than English. These "hard to reach" workers and employers include those who are unaccustomed to seeking governmental assistance, temporary workers, and small business owners. These workplace trends require the State of Indiana to reach new and unique audiences in innovative ways.

IOSHA and BuSET have been approved as state plan organizations by the federal Occupational Safety and Health Administration (OSHA). As such, by law they must respond to legal and policy changes made at the federal level.

Evaluation and Accomplishments

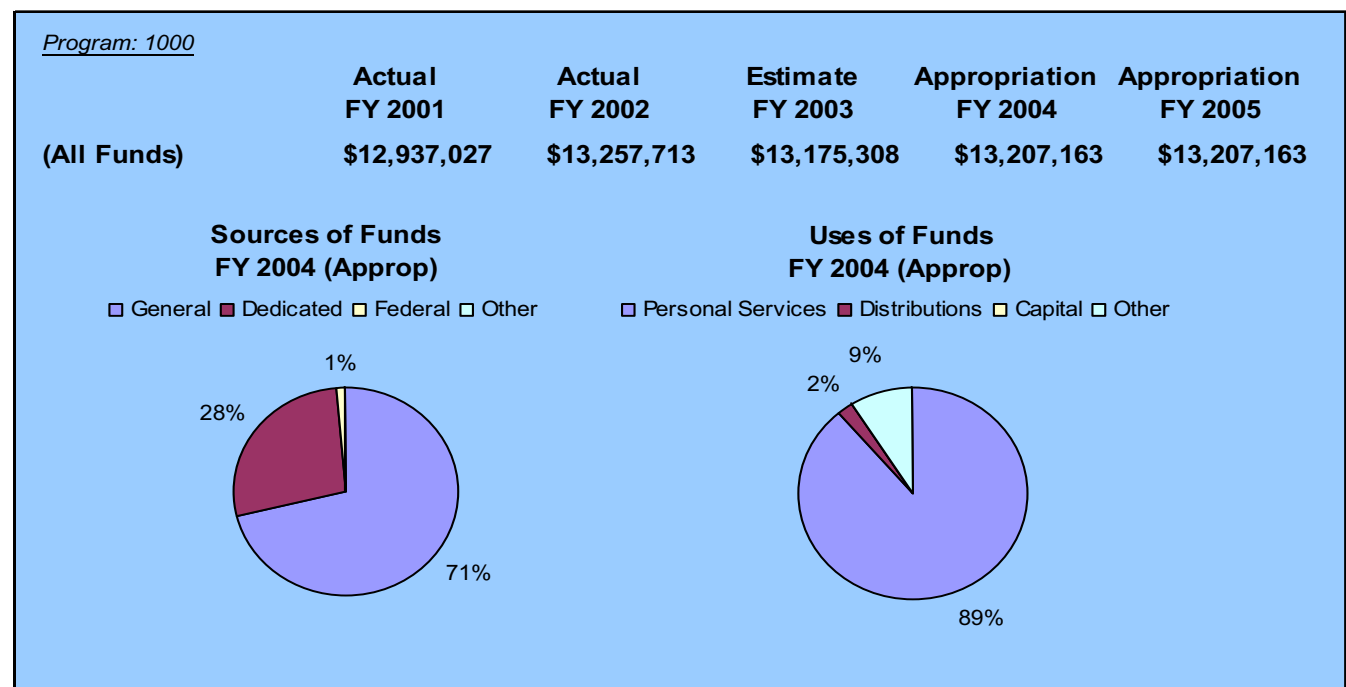
The Civil Rights Commission closed 884 cases in calendar year 2002. In that same period, it received 642 new discrimination complaints. Through the first half of calendar year 2003, the CRC has closed 822 cases while receiving 209 new discrimination complaints through that same period. The CRC has increased its public education and outreach programs in an effort to reduce discrimination and segregation in the areas of housing, employment, public accommodations, and the provision of credit. These efforts include a targeted advertising campaign to make people aware of their civil rights. The campaign includes Spanish language materials.

The Department of Labor's IOSHA division continues targeting employers, industries, and work-processes with high injury and illness incidence rates for concentration of its resources. This includes local emphasis programs for falls and scaffolds in the construction industry and a new focus on various industries with the highest injury and illness rates. IOSHA also provides proactive education coupled with enforcement for these employers along with a more detailed analysis of illnesses in these places of employment.

BuSET's Voluntary Protection Program (VPP) is designed to recognize and promote exemplary safety and health management programs where management, labor, and the DOL establish a cooperative relationship. Star status is the highest level attainable under the program and eighteen Indiana workplaces have now attained that status. BuSET has also created the Indiana Safety and Health Recognition Program (IN SHARP) which is designed to recognize smaller employers with an exemplary safety and health management system. The first Indiana employer, the City of Jasper, has been certified as an IN SHARP site and others are in the evaluation period. In conjunction with the Hoosier Safety Council, BUSET has awarded the fourth annual Governor's Workplace Safety Awards. This award recognizes individuals and organizations which have implemented innovative work-processes, equipment, education, outreach or partnerships which contribute to the workplace safety and health.

Plans for the Biennium

IOSHA and BuSET will continue their focus on high-hazard workplaces, combining effective outreach and education with fair enforcement of workplace safety and health requirements. They will re-examine their efforts in these areas at least annually to improve their efficiency and effectiveness in helping Indiana employers and employees experience the many benefits of workplace safety and health.



Regulation of Commerce

Mission

To protect Indiana consumers through regulation and supervision of Commerce.

Summary of Activities

The Securities Division of the **Office of the Secretary of State** oversees Indiana's securities industry. The division is charged with protecting Hoosier investors by bringing enforcement actions against companies and individuals selling securities in violation of Indiana's securities laws, and by educating Hoosiers about prudent investing. The division also regulates mortgage and loan brokers, and administers Indiana's franchise laws. Investor education information is available on the Internet at <http://www.in.gov/sos/securities/investor.html>.

The **Department of Financial Institutions (DFI)** regulates and supervises state chartered financial institutions to assure Indiana residents adequate and proper financial services; to protect the interest of depositors, borrowers, shareholders, and consumers; and to promote the safety and soundness of Indiana financial institutions.

The DFI Depository Division regulates and supervises 129 state chartered banks, 52 state-chartered credit unions, and six savings and loan associations. The total assets of these institutions at the end of 2002 totaled \$49 billion. A staff of 44 examiners performs both on-site and remote examinations in conjunction with federal regulators through cooperative alternating examination agreements.

The Non-Depository Division regulates and examines 306 licensed lenders with 578 branches, 79 pawn brokers with 57 branches, 67 rent-to-own companies with 293 branches, 53 check cashers with 194 branches, 27 money transmitters, and four budget service companies. A staff of 13 examiners ensures that these lenders follow the provisions of the Uniform Consumer Credit Code (UCCC), six other statutes, and regulations regarding disclosure, rates, collections, repayments, and delinquencies. This division also provides consumer-related educational materials on consumer laws, regulations, and policy. Consumer credit educational materials may be found on the agency Web site at <http://www.in.gov/dfi/education>.

The **Department of Insurance (DOI)** protects Indiana's insurance consumers by monitoring and regulating the financial and market conduct activities of insurance companies and agents. This work is carried out through the Agent Licensing Division, Consumer Protection Unit, and the Financial Services Unit. With a staff of 80, the DOI administers a variety of programs that serve Indiana's insurance consumers, insurance companies (including HMOs, TPAs, and provider networks), insurance agents, and other interested parties.

External Factors

Indiana's financial institutions have, for the most part, successfully weathered the challenging economic times during the past few years. DFI examiners have encountered some deterioration in the loan portfolios of supervised institutions, but the vast majority of state-chartered financial institutions have maintained strong earnings and capital positions. DFI examiners and management continue to work closely with those relatively few institutions that have been negatively affected by the economic downturn. The DFI will continue to closely monitor credit quality, and seek to ensure adequate and timely efforts by institution management to remedy any identified weaknesses.

Indiana's financial institutions are facing the challenge of increased competition from many fronts. In an effort to maintain favorable earnings in this highly competitive environment, depository institutions are continually evaluating new product offerings designed to boost non-interest income. The DFI will continue to proactively consider additional opportunities while ensuring both safe and sound operations, and consumer protection issues.



Todd Rokita
Secretary of State

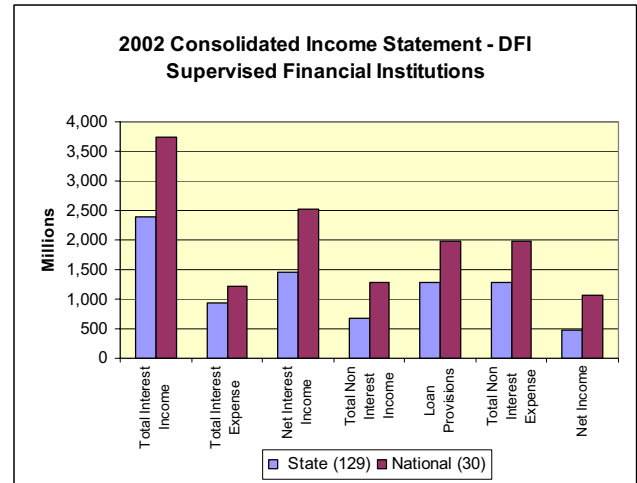
The increased availability of technology in the financial industry presents new and different challenges for regulation. Internet banking in particular represents a source of both great opportunity and significant regulatory concern. The DFI will continue to require that institutions undertake such initiatives only after adequate security and operational procedures are in place.

Evaluation and Accomplishments

Over the last six years, the securities division of the Office of the Secretary of State has imposed a record number of fines and penalties against scam artists preying on unsuspecting Hoosier investors.

The Indiana financial institutions industry remains strong. The DFI constantly strives to provide more effective and less intrusive regulatory services through a risk-focused examination process. Consumer credit examinations by the DFI continue to identify credit insurance, finance charges, and other overcharges to credit customers. These examination findings have resulted in refunds to consumers of \$1,081,729.00, \$2,114,450, and \$1,521,720 over the past three years.

During the past biennium, the Indiana Department of Insurance has focused on addressing consumer abuses generated by an economic downturn and the resulting “hardening” of insurance markets. Those efforts resulted in the passage of a regulation requiring substantial changes to credit insurance rating schemes; the mandated filing of all credit scoring methodologies used in rating Indiana auto and homeowners’ policies; the takeover and liquidation of two unauthorized health insurance plans; and the successful petitioning to Marion Circuit Court for cease and desist orders against two additional unauthorized health plans. During the same period, the Department recovered more than 11 million dollars for Indiana insurance consumers through its complaint adjudication process.

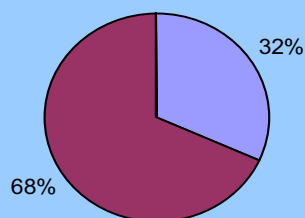


Program: 1005

| | Actual FY 2001 | Actual FY 2002 | Estimate FY 2003 | Appropriation FY 2004 | Appropriation FY 2005 |
|-------------|-------------------|-------------------|---------------------|--------------------------|--------------------------|
| (All Funds) | \$15,223,011 | \$13,862,083 | \$16,552,019 | \$16,913,067 | \$16,973,067 |

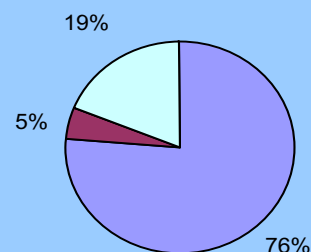
Sources of Funds FY 2004 (Approp)

□ General ■ Dedicated □ Federal □ Other



Uses of Funds FY 2004 (Approp)

□ Personal Services ■ Distributions □ Capital □ Other



Licensing and Registration

Mission

To protect the economic welfare, health, and peace of the people of Indiana through appropriate licensing.

Summary of Activities

The Business Services Division of the Office of the **Secretary of State** administers activities including the chartering of new businesses, the filing of secured transaction liens under the Uniform Commercial Code (UCC), and the issuance of trademarks, notaries public, and summonses.

The **Alcohol and Tobacco Commission** (ATC) regulates the manufacture, sale, possession, and use of alcoholic beverages through the licensing and registration of more than 75 types of permits. The ATC also regulates the sale, possession, and distribution of tobacco products. Beginning July 1, 2003, any location where tobacco products are sold at retail must obtain a yearly certificate from the Commission.

The **Department of Insurance** licenses and regulates insurance companies and agents. The Company Records Division processes applications for licensure to conduct business in Indiana, while the Agent Licensing Division is responsible for issuing resident and non-resident agent and agency insurance licenses.

The **Professional Standards Board** (PSB) certifies the licensure of all K-12 teachers in Indiana. Teachers must obtain a post-secondary degree from an approved higher education curriculum, pass a licensing examination, and pursue continuing education.

The **Gaming Commission** licenses and regulates casino owners and suppliers, and provides occupational licensing to casino employees. Licenses are granted only after background investigations by the Gaming Enforcement Division of the Indiana State Police establishes that the applicant is suitable for the license.

The **Department of Revenue** (DOR) licenses and regulates charity gaming activities by qualified not-for-profit organizations and manufacturers and distributors of charitable gaming materials. The Motor Fuel Tax Section provides license credentials for various fuel distributors, while the Motor Carrier Services Division regulates the international vehicle registration plan, commercial driver's licensing, oversized & overweight vehicle permitting and safety and insurance registrations.

The **Health Professions Bureau** (HPB) provides administrative support and services for 25 Boards and Committees, including Athletic Trainers, Chiropractors, Dentists, Dietitians, Environmental Health Specialists, Health Facility Administrators, Medical, Nursing, Optometry, Pharmacy, Podiatry, Psychology, Social Language Pathology & Audiology, Veterinary, Hearing Aid Dealers, Hypnotists, Occupational Therapy, Physical Therapy, Physicians' Assistants, and Respiratory Care. HPB staff processes all license applications and renewals, and maintains information for verifications of license standing to the health care community and the public. The HPB administers examinations for many of the professions and conducts background research on license applicants.

The **Professional Licensing Agency** (PLA) tests the proficiency of potential licensees, maintains and updates vital information on licensed persons and businesses, and provides regulatory functions for thirteen professions. The PLA oversees the Auctioneer Commission, Boxing Commission, Funeral and Cemetery Service Board, Board of Accountancy, Plumbing Commission, Private Detective Licensing Board, Real Estate Appraiser and Certification Board, Real Estate Commission, Board of Registration for Architects, Board of Barber Examiners, Board of Cosmetology Examiners, Board of Registration for Professional Engineers, and the Board of Registration for Land Surveyors.

Effective July 1, 2003, the Health Professions Bureau and the Professional Licensing Agency consolidated licensing operations resulting in a more efficient response to customer needs.

All persons participating in pari-mutuel racing under the jurisdiction of the **Indiana Horse Racing Commission** are required to obtain an occupational license. The licensing process is the backbone of the Commission's regulatory efforts. Each prospective licensee is fingerprinted. The Federal Bureau of Investigation (FBI) and the Indiana State Police provide the Commission with criminal histories of all applicants. The Commission may refuse or deny the application for licensure of any person whose criminal or racing violation record is contrary to the public's best interest. The Commission licenses over 9,000 individuals annually.

External Factors

With the wide variety of licenses and registrations that fall within this program, external factors affecting Licensing and Registration activities are numerous. One consistent factor across all agencies performing these functions is growth. The continued increase in volume of licenses and registrations processed results in increased services provided by the agencies.

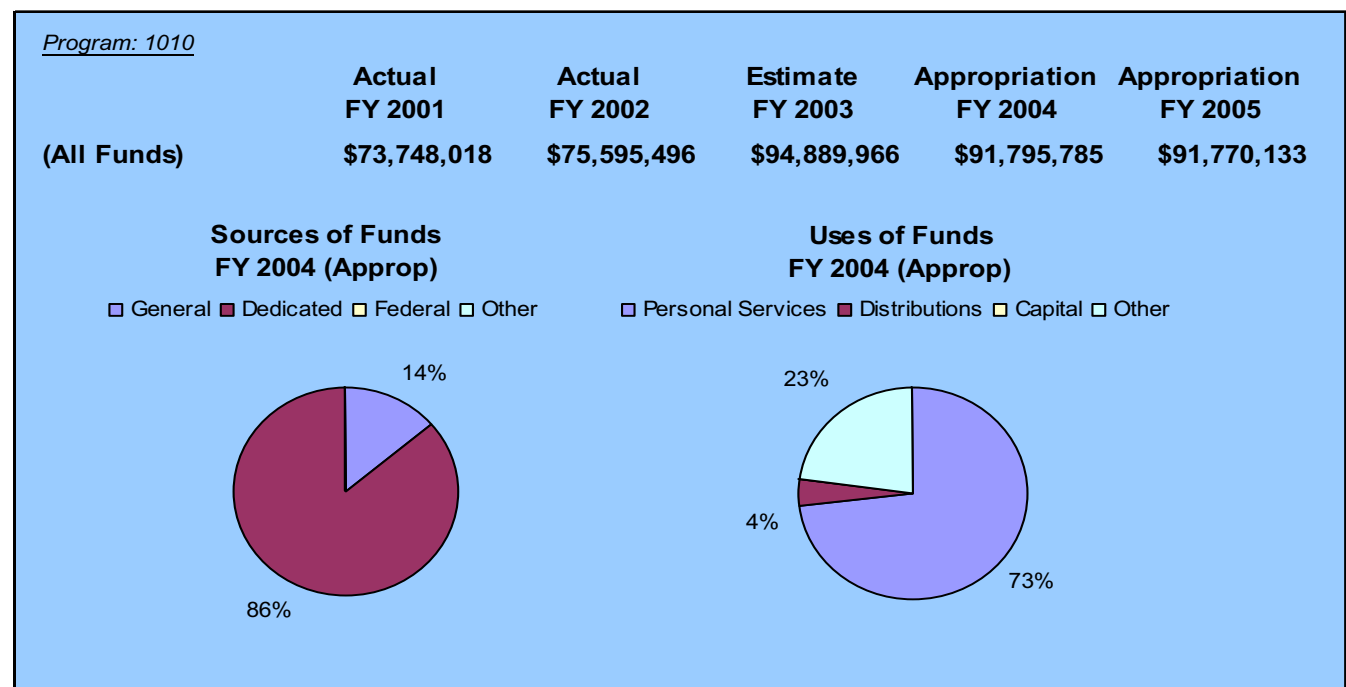
Evaluation and Accomplishments

The Office of the Secretary of State enabled citizens and businesses to search databases and print certificates via the Internet. The ATC implemented a new database to process all permits, improved interactions with local regulatory boards, and initiated a host of procedural changes to simplify and improve the permit process.

During the seven years of riverboat operation, the Gaming Commission has issued in excess of 35 suppliers' licenses and over 56,000 occupational licenses. The Horse Racing Commission maintains a simplified licensing process that allows horse owners to renew their licenses through the mail. Indiana was the first state to allow this process of licensure.

The Professional Standards Board received federal funds for the implementation of a new teacher certification process that will be more aligned with classroom teaching skills, continuing education, and Indiana's new academic standards. The Health Professions Bureau recently converted its activity to a new computer system that allows for much quicker issuance of license renewals and allows for greater coordination of all activities, including license verifications and the disciplinary process. The Professional Licensing Agency also implemented a new computer software program. With this new system, each PLA employee is able to service more licenses and print licenses on a daily basis, instead of once a week. This allows the licensees to begin working in their chosen profession as quickly as possible.

The Department of Insurance participates in the National Association of Insurance Commissioners' Uniform Certificate of Authority Application (UCAA), which allows a company to apply for a certificate of authority in multiple states with one application. DOI has made its agent disciplinary data base available online so consumers can refer to it before choosing an insurance agent. Non-resident agents can apply online for their licenses and resident agents will soon be able to do the same. DOI also participates in the NAIC's Nationals Insurance Producer (agent) Data Base.



Regulation of Utilities

Mission

To protect the public interest by assuring that utilities provide safe and reliable service at a reasonable cost.

Summary of Activities

The Office of Utility Consumer Counselor (OUCC) represents the interest of all Indiana utility consumers and the public relating to electric, natural gas, telephone, water, and sewer services. On consumers' behalf, the OUCC reviews utility requests on rates and other matters and examines utility accounting and financial records; inspects facilities, prepares depreciation and cost of service studies; and requests investigations, when warranted, of utility services or practices.

The Indiana Utility Regulatory Commission (IURC) has regulatory authority over more than 800 utilities. The utilities may be investor-owned, not-for-profit, municipal, cooperative organizations, or water conservancy districts. The IURC is also a fact-finding body that hears evidence in utility-related cases filed and makes decisions based on evidence presented in those cases. The IURC is charged with balancing the interests of ratepayers and utilities to ensure reliable utility service at reasonable rates. The IURC Consumer Affairs Division acts as a mediator between the utility and the consumer when customers have questions or complaints about billing, service quality, and other matters. Consumer Affairs uses information gathered in the complaint handling process to alert the Commission to any consumer problems. If the Division discovers a concern, it may request an investigation be conducted by the Commission or suggest to the utility's customers that they circulate a petition requesting a Commission investigation.



External Factors

The utility markets are undergoing various stages of profound transformation. These ongoing changes have resulted in federal government action that, to varying degrees, is introducing or increasing competitive forces in the marketplace.

Industry change will continue for the foreseeable future and dramatically alter utility markets in many ways, some of which are still undefined. Keeping pace in this environment has always been, and continues to be, a challenge for the OUCC and IURC. Because of recent federal action regarding the regulation of utilities, the workload of the Commission's professional staff is steadily increasing and will continue to increase in the future. This has been particularly acute in the telecommunications area, due to the federal action known as the Telecommunications Act of 1996 (TA96). This initiative imposes a large volume of very complex regulatory tasks on the IURC to be completed within relatively short timeframes.

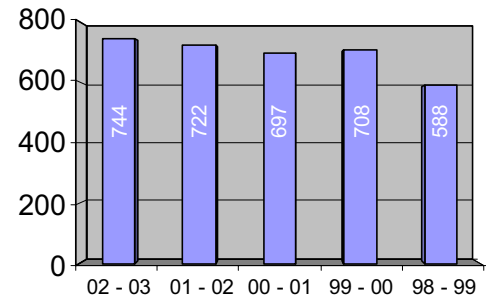


The electric industry may soon undergo competitive change similar to what has occurred over the last few years in the telecommunications area. Several comprehensive bills have been introduced during recent sessions of Congress without success that would have introduced retail competition to the industry. At the state level, electric deregulation has already been introduced in several jurisdictions across the country, including Illinois and Ohio. Utility regulation can be affected by fluctuations in the market price of natural resources. For example, recent increases in the cost of natural gas have raised concerns about the ability of consumers to affordably heat their homes.

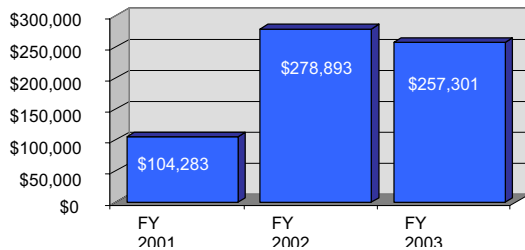
Evaluation and Accomplishments

The IURC has worked diligently in recent years to manage an increased caseload without requiring increases in staffing or other expenditures. Due mainly to the increase of telecommunications work related to TA96, the IURC has experienced an increase in the number of petitions filed for action, from 588 in the 1998-99 fiscal year to over 740 in 2002-03. As a party to each of these cases, the OUCC has also struggled with the increased workload. It has been challenging to absorb this dramatic rise without reductions in service quality. In the coming biennium the IURC plans to improve efficiency and productivity in order to address issues of regulatory lag by instituting measures to improve internal processes.

Petitions Filed



Utilities Adjustments



** Due to an ongoing proceeding before the IURC, a significant variance in adjustments was realized between FY 2001 and FY 2002.

The IURC Consumer Affairs Division has been an integral part in saving Indiana consumers considerable money by practice of mediating disputes. In recent years, the division has been successful in resolving issues between regulated utilities and its consumers resulting in credits/refunds in excess of \$250,000 a year**. An essential part of this success has been the development of strong relationships with representatives of the utilities and consumer groups. These relationships have allowed resolution of disputes without the need for escalation. A secondary piece of such communications with these groups has been the education of consumers regarding their rights and responsibilities in hopes of avoiding future conflicts.

Plans for the Biennium

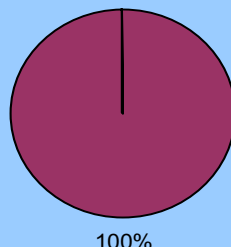
The IURC will take steps to decrease the caseload of individual staff in order to continue to reduce regulatory lag. Over the next two years the IURC will initiate methods for parties to file documents electronically, and promote increased use of the agency web site for timely public information availability.

Program: 1015

| | Actual FY 2001 | Actual FY 2002 | Estimate FY 2003 | Appropriation FY 2004 | Appropriation FY 2005 |
|-------------|-------------------|-------------------|---------------------|--------------------------|--------------------------|
| (All Funds) | \$9,552,221 | \$9,891,270 | \$11,479,420 | \$11,495,605 | \$11,493,018 |

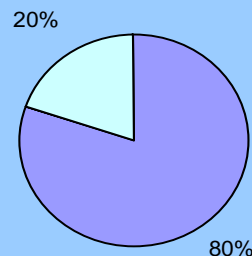
**Sources of Funds
FY 2004 (Approp)**

□ General ■ Dedicated □ Federal □ Other



**Uses of Funds
FY 2004 (Approp)**

□ Personal Services ■ Distributions □ Capital □ Other



Regulation of Gambling

Mission

To maintain the public's trust in Indiana's gambling and pari-mutuel racing industry through comprehensive law enforcement and supervision and strict regulation of all individuals and business entities involved in those activities.

Summary of Activities

Regulated gambling activities in Indiana include riverboat gambling on Lake Michigan and the Ohio River, pari-mutuel horse racing at Hoosier Park in Anderson and Indiana Downs in Shelby County, and charitable gambling activities such as bingo.

The **Indiana Gaming Commission (IGC)** regulates all casino licensees. The IGC is responsible for insuring that the daily payment of the riverboat admissions and wagering taxes to the state is correct. The IGC also oversees all promotional activity by the riverboats, reviews all patron complaints, enforces occupational licensing requirements, and monitors legislation which may impact the regulation of riverboat gambling. Comprehensive law enforcement supervision within the casinos is provided by the Gaming Enforcement Division of the **Indiana State Police**.

The **Indiana Horse Racing Commission (HRC)** regulates and supervises its licensees to ensure that all races are honest, competitive contests, free from manipulation by people or drugs. The Commission's drug detection program is one of the nation's most comprehensive, and its laboratory is one of the most respected in the racing industry.

The **Indiana Department of Revenue's** Criminal Investigation Division is responsible for finding irregularities and/or violations of statutes in the conducting of charity gambling events. Violations can result in written citations, fines, and/or the revocation of licenses.

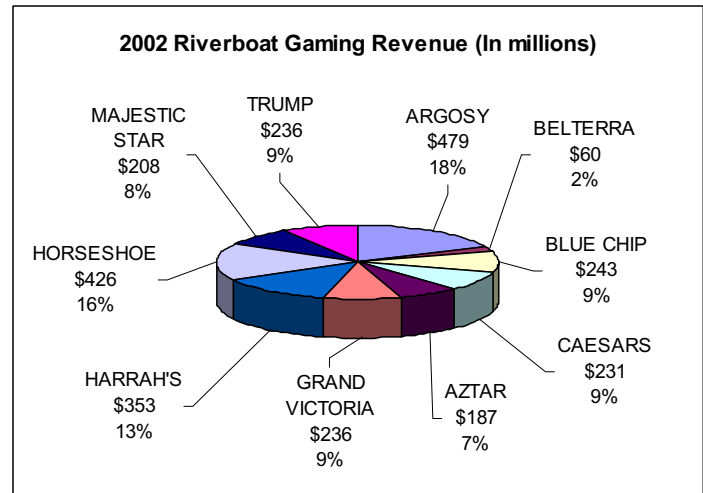
External Factors

To date, the casino industry has grossed more \$2.2 billion in revenues. Recent statutory changes, including the advent of 24-hour gaming, flexible scheduling, a voluntary self-exclusion program, and the authorization of a casino in Orange County, are certain to result in more admissions and increased revenue. Indiana Casinos are in competition with the gambling industries of neighboring states, and changes in the economy cause casinos to seek financing when favorable rates are available. These activities all require IGC review and approval.

The pari-mutuel horse racing industry has demonstrated continual growth since Hoosier Park opened in 1994. The number of race days has increased from 54 in 1994 to 250 in 2003. This indicates an increase in both the supply of race horses and the demand for race meet days. The opening of Indiana's second pari-mutuel track, Indiana Downs in Shelby County in December 2002, required the HRC to double its on-site staff.

Evaluation and Accomplishments

As of June 30, 2003, IGC's Audit Division had identified adjustments to revenue totaling \$33,848,821. These adjustments resulted in additional taxes and fines totaling \$8,331,717. The IGC has initiated an innovative financial set-aside program for riverboats that fail to meet minority and women-owned business goals. Approximately 120 positions have been added to the roster of the Indiana State Police for Gaming Enforcement, resulting in less criminal activity in the vicinity of the riverboats than projected, a safe gaming environment, and a strong regulatory presence.



The construction of Hoosier Park has brought \$50,810,409 in total output or sales, \$18,469,269 in personal income, and 672 jobs. Numbers are not yet available for Indiana Downs. The HRC's Breed Development programs have resulting in nearly \$5,000,000 in purses each year and premium prices for Indiana Sired yearlings at the Indiana sales.



Hoosier Park in Anderson, Indiana

Plans for the Biennium

The Indiana Gaming Commission has identified four primary objectives for the next biennium:

- 1) Activities associated with P.L. 92-2003, which allows a casino to operate in Orange County, contingent upon passage of a local referendum.
- 2) Establishing the problem gaming program mandated by P.L. 143-2003, including the development of a database and related technical support.
- 3) Continuation of statutory license renewals, including complete reinvestigation of those casinos reaching their 8th year of operation in Indiana.
- 4) Address ever-changing gaming technology through review and study of new systems and implementation of necessary improvements to current computerized regulatory programs.
- 5) Minimizing staff increases in the face of increased responsibilities and work load.

The Indiana Horse Racing Commission has received applications for two additional Off-Track Betting parlors (OTB) and expects to receive more in the near future. A total of four additional OTB licenses may be granted under current statute.

